RPI Chairman L. L. White:
A year of change—and challenge

February 9, 1981

RAILWAY AGE

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Budd:
Very much alive—and kicking

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Inside

LUTHER S. MILLER

A RAILCAR BONANZA

There is considerable gloom in the supply community these days, the reason being that many freight railroads are cutting back sharply on equipment purchases. While capital spending this year will be in the respectable neighborhood of $4-billion plus, it will not approach the giddy levels of 1979 and 1980, when non-railroad investors were pouring a king's ransom into get-rich-quick freight-car schemes. But there is one important segment of the railroad market, largely ignored by analysts, that is not subject to the vagaries of the freight business and is, in fact, booming in these recessionary times. That is the passenger railcar business.

According to a *Railway Age* survey, orders will be placed this year for between 1,100 and 1,200 new passenger railcars, about $1 billion worth of business for the prime contractors and their component suppliers. The action has already started. A few days ago New York's Metropolitan Transportation Authority was to open bids for 130 commuter cars. A few weeks from now, the New York City Transit Authority, will advertise 300 new IRT rapid transit cars for bid (p. 8). (The money for those cars, by the way, is safely in pocket—$190 million raised through a 1979 bond authorization—and therefore is not subject to whatever the Reagan administration does or doesn't do with respect to public transit funding.)

Meanwhile, the builders and the component manufacturers are working on a healthy backlog of more than 1,500 cars (*RA*, Jan. 12, p. 16).

The long-range outlook is one of solid optimism. Purchasing authorities in the U.S. and Canada already have firm plans for purchasing between 2,600 and 3,600 cars during the five-year 1982-1986 period.

All of this is good news for railcar builders around the world, who in recent years have found one of their biggest markets in the U.S. But the news isn't entirely good for U.S. suppliers.

BUT FOR WHOM?

The fact is, U.S. prime contractors now have less than half of the U.S. passenger railcar business. Of the 11 carbuilders with orders on their books on Jan. 1, only three were U.S.—Budd, Pullman Standard, and General Electric. Pullman will disappear from the list when it completes delivery of the cars it still owes Amtrak. General Electric's future participation will consist mainly of assembling cars for foreign contractors. This leaves Budd—and while Budd is in an extremely healthy position, with $400 million worth of business on its books and more in prospect, Budd isn't happy about the flight of U.S. business to foreign builders. Budd's position is outlined in this issue's cover story by Associate Editor Frank Malone (p. 14). "It's not protectionism we want," insists Budd President and Chief Executive Officer James H. McNeal, "it's a redress of the inherent injustices in a bidding process that permits hidden subsidies to kill off American jobs and to waste American tax dollars."

Whether or not Budd succeeds in stemming the foreign invasion, U.S. component suppliers will still get a large share of the business, because that's mandated by the Buy America law, as is U.S. assembly of all cars ordered abroad.

A further boon to U.S. suppliers is the fact that NYCTA, stung by its experience with new technology in the R-46 is specifying the tried-and-true for its new cars. And that, in many cases, will mean home-made components.

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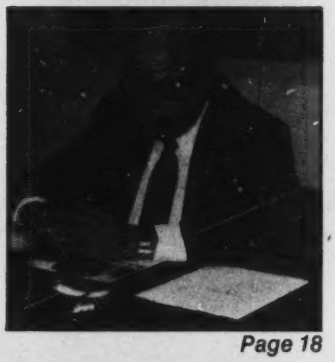

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Market

CARLOADINGS

Loadings of revenue freight in the week ended Jan. 17 totaled 419,854 cars, according to the Association of American Railroads. This was a decrease of 23,779 cars, or 5.4%, compared with the corresponding week last year. Ton-miles generated by carloadings in the week ended Jan. 17 are estimated at 17.6 billion, an increase of 1.3% above the corresponding week of 1980.

Commodity	Jan. 17 week	Jan. 10 week
Grain	35,408	35,925
Farm products	5,292	4,751
Metallic ores	26,110	28,848
Coal	103,206	102,095
Crushed stone, gravel & sand	10,030	10,429
Nonmetallic minerals	12,885	14,062
Grain mill products	15,837	16,313
Food and kindred products	16,947	16,065
Primary forest products	19,958	20,001
Lumber & wood products (except furniture)	8,339	7,574
Pulp, paper & allied products	20,499	19,484
Chemicals & allied products	26,605	27,905
Petroleum products	5,915	6,026
Stone, clay & glass products	12,987	13,565
Coke	5,684	5,627
Metals & products	14,971	14,172
Motor vehicles & equipment	16,665	13,198
Waste & scrap materials	13,396	11,648
Forwarder & shipping assn. traffic	9,174	8,158
All other carloads	39,715	36,087
LCL traffic	230	209
Total cars loaded	**419,854**	**412,142**
Cumulative total,	1981	1980
3 weeks	**1,170,444**	**1,250,644**
Estimated revenue ton-miles (billions), 3 weeks	**49.2**	**49.3**

PIGGYBACK LOADINGS

U.S. piggyback loadings for the week ended Jan. 10 totaled 28,072 cars (12.3% below the corresponding 1980 week) and 50,080 trailers or containers (down 14.8% from 1980). Cumulative volume for the first two weeks of 1981 is 48,593 (down 12.5% from 1980) and 87,122 trailers or containers (down 13.0% from 1980).

CANADIAN CARLOADINGS

Canadian railway revenue freight loaded in the ten-day period ended Dec. 31, 1980, totaled 4.27 million tons (down 9.2% from 1980). Cars loaded totaled 63,419 (down 0.9% from 1980). Cumulative loadings for 1980 were up to 259.6 million tons (down 0.8% from 1979).

● *Grand Trunk Western.*—Plant improvement program for 1981 will include construction of an 18-track yard at Orion, Mich.; installation of 59.7 miles of welded rail and 200,000 crossties, along with surfacing of 325 miles of track; and installation of 11.7 miles of microwave and 15 rail/highway crossing warning devices. Only new freight equipment in GTW's overall $13.1-million capital budget will be 100 50-ft XM box cars.

● *Southern.*—Asked the ICC for permission to offer for competitive bidding $27.75 million of equipment trust certificates to finance the purchase of 500 100-ton, 4,750-cu-ft-capacity covered hopper cars; 300 100-ton, 3,000-cu-ft-capacity covered hopper cars; and 128 70-ton pulpwood cars.

● *Union Pacific.*—Awarded $25 million of equipment trust certificates to Morgan Stanley & Co. and Warburg Paribas Becker; annual net interest cost for the railroad is 13.317%. The issue will cover 80% of the cost of 20 3,000-hp diesel electric units, 100 100-ton boxcars and 215 100-ton open top hoppers.

● *Freight cars and locomotives.*—The following report has been received from the AAR and the ARCI:

DELIVERED

	November		October	Eleven months	
	1980	1979	1980	1980	1979
Built new by carbuilders	4,574	7,971	6,956	75,206	75,976
Built new in RR shops	371	913	412	5,184	5,382
Built new—total	4,945	8,884	7,368	80,390	81,358
Rebuilt	7	54	21	1,150	866
TOTAL DELIVERED	**4,952**	**8,938**	**7,389**	**81,540**	**82,224**
Locomotives (new and rebuilt)	86	168	101	1,575	1,732

ORDERED

To be built new by carbuilders	3,230	7,890	1,847	35,840	101,351
To be built new in RR shops	700	568	200	5,250	5,031
To be built new—total	3,930	8,458	2,047	41,090	106,382
To be rebuilt	0	54	0	1,063	879
TOTAL ORDERED	**3,930**	**8,512**	**2,047**	**42,153**	**107,261**

ON ORDER AND UNDELIVERED

	December 1		November 1	Average backlog	
	1980	1979	1980	1980	1979
To be built new by carbuilders	51,337	113,797	53,389	76,415	113,750
To be built new in RR shops	6,318	5,960	5,989	6,475	6,323
To be built new—total	57,655	119,757	59,378	82,890	120,073
To be rebuilt	13	100	20	264	102
TOTAL ON ORDER	**57,668***	**119,857**	**59,398**	**83,154**	**120,175**
Locomotives (new and rebuilt)	472	656	496	634	969

*Due to revisions and cancellations of some orders, the backlog has been reduced by 708 cars.